



September 15, 2016

To the Board of Directors  
Springfield Regional Arts Council

We have audited the financial statements of Springfield Regional Arts Council for the years ended June 30, 2016 and 2015, and have issued our report thereon dated September 15, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 13, 2016. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Springfield Regional Arts Council are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was:

Management's estimate of the allowance for doubtful accounts is based on historical collection rates and an analysis of the collectability of individual promises. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole. We noted that the allowance account is not recorded yearly or used properly.

The financial statement disclosures are neutral, consistent, and clear.

#### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In

addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### ***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated September 15, 2016.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

The Organization has not mandatory vacation policy. It is recommended that employees be required to take vacation each year, and that another employee performs his or her duties during the vacation.

Staff evaluations were not implemented during this fiscal year.

During internal control testing, it was noted that the QuickBooks file had not been backed up in over three weeks. It is recommended this be done regularly, to prevent potential data loss.

### **Other Matters**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors of Springfield Regional Arts Council and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,



York & Hopp CPAs



To the Board of Directors  
and Executive Director of Springfield Regional Arts Council

In planning and performing our audits of the financial statements of Springfield Regional Arts Council as of and for the years ended June 30, 2016 and 2015, in accordance with auditing standards generally accepted in the United States of America, we considered Springfield Regional Arts Council's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in Springfield Regional Arts Council's internal control to be material weaknesses:

The Organization's segregation of duties are not effectively designed and implemented due to the size of the accounting and administrative staff. In addition, there is a missing level of formal management review within the Organization, including approval of write-offs, employee master file access, journal entry review, ACH payments and transfers, and net asset reclassifications

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Springfield Regional Arts Council's internal control to be significant deficiencies:

An allowance for doubtful accounts should be used for the purpose of write-offs in accordance with GAAP.

This communication is intended solely for the information and use of management the Board of Directors, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

York & Hopp CPAs

*York & Hopp CPAs*

Springfield, Missouri

September 15, 2016

**Springfield Regional Arts Council**

Independent Auditors' Report and Financial Statements

June 30, 2016 and 2015



**Springfield Regional Arts Council**  
**June 30, 2016 and 2015**

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## Independent Auditors' Report

To the Board of Directors of  
Springfield Regional Arts Council

We have audited the accompanying financial statements of Springfield Regional Arts Council (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Springfield Regional Arts Council as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 18 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Yak & Hopp CPAs*

Springfield, Missouri  
September 15, 2016



**Springfield Regional Arts Council  
Statements of Financial Position  
June 30, 2016 and 2015**

<b>Assets</b>	<b><u>June 30, 2016</u></b>	<b><u>June 30, 2015</u></b>
Current Assets		
Cash and cash equivalents	\$ 169,623	\$ 132,936
Investments - temporarily restricted	210,763	226,015
Accounts receivable	17,982	10,164
Prepaid expenses	<u>3,395</u>	<u>7,528</u>
<b>Total Current Assets</b>	<b>401,763</b>	<b>376,643</b>
Noncurrent Assets		
Equipment and furniture, net of accumulated depreciation of \$181,928 at June 30, 2016 and \$174,400 at June 30, 2015	10,465	18,503
Investments - permanently restricted	<u>240,150</u>	<u>198,637</u>
<b>Total Noncurrent Assets</b>	<b><u>250,615</u></b>	<b><u>217,140</u></b>
<b>Total Assets</b>	<b><u>\$ 652,378</u></b>	<b><u>\$ 593,783</u></b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accrued payroll liabilities	\$ 8,432	\$ 7,896
Accrued vacation and sick leave	2,333	2,154
Other liabilities	<u>1,100</u>	<u>3,065</u>
<b>Total Current Liabilities</b>	<b><u>11,865</u></b>	<b><u>13,115</u></b>
<b>Net Assets</b>		
Unrestricted - undesignated	127,117	117,226
Unrestricted - board designated	<u>25,800</u>	<u>11,687</u>
Total unrestricted net assets	152,917	128,913
Temporarily restricted	247,446	253,118
Permanently restricted	<u>240,150</u>	<u>198,637</u>
<b>Total Net Assets</b>	<b><u>640,513</u></b>	<b><u>580,668</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 652,378</u></b>	<b><u>\$ 593,783</u></b>

**Springfield Regional Arts Council**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Public Support and Revenue</b>				
Public Support				
Artsfest	\$ 126,135	\$ -	\$ -	\$ 126,135
Dr. Tickle Memorial	5,360	-	-	5,360
Eclectic Endeavors	-	18,648	-	18,648
Fresh	-	63,470	-	63,470
Film	-	481	-	481
First Friday Art Walk	14,235	-	-	14,235
Claymobile	4,730	-	-	4,730
Sculpture Walk	28,555	-	-	28,555
SATO48	750	-	-	750
SRAC Programs	61,958	-	-	61,958
Operating	301,013	(6,620)	41,513	335,906
Grants				
ideaXfactory	8,397	-	-	8,397
Sculpture Walk	7,047	-	-	7,047
SRAC Programs	32,621	-	-	32,621
Operating	8,957	-	-	8,957
<b>Total Public Support</b>	<u>599,758</u>	<u>75,979</u>	<u>41,513</u>	<u>717,250</u>
Revenue				
Interest & dividend income	78	5,238	-	5,316
<b>Total Revenue</b>	<u>78</u>	<u>5,238</u>	<u>-</u>	<u>5,316</u>
Net Assets released from restrictions				
Restrictions satisfied	86,989	(86,989)	-	-
<b>Total Public Support and Revenue</b>	<u>\$ 686,825</u>	<u>\$ (5,772)</u>	<u>\$ 41,513</u>	<u>\$ 722,566</u>

*See Independent Auditors' Report and accompanying Notes to the Financial Statements.*

**Springfield Regional Arts Council  
Statement of Activities (Continued)  
For the Year Ended June 30, 2016**

<b>Expenses</b>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Program Expenses				
Artsfest	\$ 81,022	\$ -	\$ -	\$ 81,022
Eclectic Endeavors	11,212	-	-	11,212
Fresh	58,745	-	-	58,745
Sculpture Walk	34,164	-	-	34,164
Film	3,160	-	-	3,160
Claymobile	4,965	-	-	4,965
ideaXfactory	7,391	-	-	7,391
Dr. Tickle Memorial	2,000	-	-	2,000
SRAC Programs	<u>125,530</u>	<u>-</u>	<u>-</u>	<u>125,530</u>
<b>Total Program Expenses</b>	<b>328,189</b>	<b>-</b>	<b>-</b>	<b>328,189</b>
Administrative Expenses	328,571	-	-	328,571
Investment loss	4,231	-	-	4,231
Loss on sale of assets	<u>1,730</u>	<u>-</u>	<u>-</u>	<u>1,730</u>
<b>Total Expenses</b>	<b>662,721</b>	<b>-</b>	<b>-</b>	<b>662,721</b>
<b>Change in Net Assets</b>	<u>24,104</u>	<u>(5,772)</u>	<u>41,513</u>	<u>59,845</u>
<b>Net Assets, Beginning of Year</b>	<u>128,913</u>	<u>253,118</u>	<u>198,637</u>	<u>580,668</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 153,017</u></u>	<u><u>\$ 247,346</u></u>	<u><u>\$ 240,150</u></u>	<u><u>\$ 640,513</u></u>

*See Independent Auditors' Report and accompanying Notes to the Financial Statements.*

**Springfield Regional Arts Council**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Public Support and Revenue</b>				
Public Support				
Artsfest	\$ 132,668	\$ -	\$ -	\$ 132,668
Eclectic Endeavors	-	12,928	-	12,928
Fresh	-	62,376	-	62,376
First Night	36,258	-	-	36,258
First Friday Art Walk	14,872	-	-	14,872
Claymobile	8,015	-	-	8,015
Sculpture Walk	10,960	-	-	10,960
ideaXfactory	-	-	-	-
Film	-	1,441	-	1,441
SATO48	3,347	-	-	3,347
SRAC Programs	65,008	-	-	65,008
Operating	284,492	7,972	11,740	304,204
Grants				
First Night	750	-	-	750
SRAC Programs	41,330	-	-	41,330
Operating	8,888	-	-	8,888
<b>Total Public Support</b>	<u>606,588</u>	<u>84,717</u>	<u>11,740</u>	<u>703,045</u>
Revenue				
Interest & dividend income	<u>4,910</u>	<u>-</u>	<u>-</u>	<u>4,910</u>
<b>Total Revenue</b>	<u>4,910</u>	<u>-</u>	<u>-</u>	<u>4,910</u>
Net Assets released from restrictions				
Restrictions satisfied	<u>76,235</u>	<u>(76,235)</u>	<u>-</u>	<u>-</u>
<b>Total Public Support and Revenue</b>	<u>\$ 687,733</u>	<u>\$ 8,482</u>	<u>\$ 11,740</u>	<u>\$ 707,955</u>

*See Independent Auditors' Report and accompanying Notes to the Financial Statements.*

**Springfield Regional Arts Council  
Statement of Activities (Continued)  
For the Year Ended June 30, 2015**

<b>Expenses</b>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Program Expenses				
Artsfest	\$ 43,188	\$ -	\$ -	\$ 43,188
First Night	21,556	-	-	21,556
Eclectic Endeavors	9,109	-	-	9,109
Fresh	58,757	-	-	58,757
Sculpture Walk	10,760	-	-	10,760
Film	2,218	-	-	2,218
Event Production	48,815	-	-	48,815
Claymobile	6,488	-	-	6,488
ideaXfactory	52	-	-	52
CFO Fabrication	198	-	-	198
SRAC Programs	<u>126,771</u>	<u>-</u>	<u>-</u>	<u>126,771</u>
<b>Total Program Expenses</b>	<b>327,912</b>	<b>-</b>	<b>-</b>	<b>327,912</b>
Administrative Expenses	343,808	-	-	343,808
Investment loss	4,081	-	-	4,081
Loss on sale of assets	<u>57</u>	<u>-</u>	<u>-</u>	<u>57</u>
<b>Total Expenses</b>	<b>675,858</b>	<b>-</b>	<b>-</b>	<b>675,858</b>
<b>Change in Net Assets</b>	<u>11,875</u>	<u>8,482</u>	<u>11,740</u>	<u>32,097</u>
<b>Net Assets, Beginning of Year</b>	<u>117,038</u>	<u>244,636</u>	<u>186,897</u>	<u>548,571</u>
<b>Net Assets, End of Year</b>	<u>\$ 128,913</u>	<u>\$ 253,118</u>	<u>\$ 198,637</u>	<u>\$ 580,668</u>

*See Independent Auditors' Report and accompanying Notes to the Financial Statements.*

**Springfield Regional Arts Council**  
**Statements of Cash Flows**  
**For the Year Ended June 30, 2016 and 2015**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<b>Operating Activities</b>		
Change in net assets	\$ 59,845	\$ 32,097
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities		
Depreciation	8,698	17,241
Loss on sale of equipment	1,730	57
Decrease (increase) in operating assets:		
Accounts receivable	(7,818)	5,658
Prepaid expenss	4,133	95
Increase (decrease) in operating liabilities:		
Other liabilites	(1,965)	371
Deferred revenue	-	(1,250)
Accrued payroll liabilities	536	(619)
Accrued vacation and sick leave	179	(1,335)
	<u>65,338</u>	<u>52,315</u>
<b>Net cash and cash equivalents provided by operating activities</b>		
<b>Investing Activities</b>		
Disbursements from endowments	10,222	2,498
Purchases of investments	(36,483)	(16,156)
Purchases of property and equipment	<u>(2,390)</u>	<u>(601)</u>
	<u>(28,651)</u>	<u>(14,259)</u>
<b>Net cash and cash equivalents used in investing activities</b>		
<b>Net Increase (Decrease) in cash and cash equivalents</b>	36,687	38,056
<b>Cash and cash equivalents, Beginning of Year</b>	<u>132,936</u>	<u>94,880</u>
<b>Cash and cash equivalents, End of Year</b>	<u>\$ 169,623</u>	<u>\$ 132,936</u>

*See Independent Auditors' Report and accompanying Notes to the Financial Statements.*

**Springfield Regional Arts Council**  
**Notes to the Financial Statements**  
**June 30, 2016 and 2015**

**Note 1 – Nature of Organization**

The Springfield Regional Arts Council was established in 1978 for the purpose of fostering cultural and educational opportunities in the arts. The mission of the Organization is to enrich the cultural life in the Springfield region through leadership that develops, supports and strengthens the arts and allows accessibility to all residents.

The Springfield Regional Arts Council is primarily responsible for implementing the Community Cultural Plan and is funded through membership, donations, grants and sponsorships. The Organization sponsors festivals each year, such as *Artsfest*, which is held the first weekend in May.

The Springfield Regional Arts Council serves as a fiscal sponsor for Missouri Film Alliance of Springfield and Eclectic Endeavors.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Accounting***

The Organization prepares its financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

***Basis of Presentation***

The Organization prepares its financial statements in accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC). The Organization is required to report information regarding its financial position and activities according to three classes of net assets. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Unrestricted Net Assets* include resources available for the general operations of the Organization or designated by the board of directors for a specific use.

*Temporarily Restricted Net Assets* include resources subject to donor-imposed purpose or time restrictions that have not yet been met, but for which the ultimate purpose of the proceeds is not permanently restricted. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently Restricted Net Assets* include resources that donors have specified must be maintained in perpetuity. The related income may be expended for such purposes as specified by the donor, or if none, then for the general purpose of the Organization.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Springfield Regional Arts Council**  
**Notes to the Financial Statements**  
**June 30, 2016 and 2015**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Cash and Cash Equivalents***

The Organization considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents. At June 30, 2016 and 2015, there was \$65,694 and \$65,366 of cash equivalents within the cash balances presented in the accompanying statements of financial position.

***Accounts Receivable***

Accounts receivable are reflected net of estimated uncollectible amounts. No provision has been made for uncollectible accounts at June 30, 2016 and 2015, as management considers all accounts to be currently collectible. Accounts receivable consist of funds due from various exhibitors totaling \$17,982 and \$10,172 at June 30, 2016 and 2015.

***Property and Equipment***

Depreciable assets are carried at cost or, if donated, at the approximate fair value at the date of donation. All costs for property and equipment greater than \$500 and with depreciable lives greater than one year are capitalized. Upon disposal of fixed assets, the costs and accumulated depreciation are removed from the accounts, and the resulting gain or loss, if any is included in the accompanying statements of activities.

Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets. Expenditures for repairs and maintenance are charged to expense as incurred, and additions and improvements that significantly extend the lives of assets are capitalized at cost.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Equipment	3 – 10 years
Vehicles	10 years

***Compensated Absences***

The Organization accrues a liability for accumulated vacation and sick leave for its employees. Full time employees earn up to fifteen paid vacation days and twelve sick days each fiscal year. Vacation days can accrue up to twice the amount earned in one year and sick days can be accrued up to forty days and be used the following fiscal year. Employees are entitled to receive payment for unused vacation. After 15 years of continuous full time employment, employees are entitled to receive payment for unused sick leave upon termination.



**Springfield Regional Arts Council**  
**Notes to the Financial Statements**  
**June 30, 2016 and 2015**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Tax Exempt Status***

The Springfield Regional Arts Council is a tax exempt organization under Internal Revenue Code Section 501(c)(3) and, as such, is not subject to income taxes on income received for exempt purposes. Federal law imposes tax on income that is not related to an organization's tax-exempt purpose or otherwise excluded under the code.

The Organization has processes presently in place to ensure the maintenance of its tax-exempt status, to identify and report unrelated income, determine its filing and tax obligations, and to review other matters that may be considered tax positions. Management of the Organization believes that all positions taken in those returns would be sustained if examined by taxing authorities. The Organization's tax returns remain subject to audit by the IRS for three years after filing. At June 30, 2016, the returns for tax years 2013, 2014, and 2015 remain open.

***Revenue Recognition***

The Organization recognizes contributions when received and considers them to be available for use without restriction unless the donor stipulates otherwise. Restricted grants or contributions whose restrictions are met during the same reporting period are recognized as unrestricted revenue.

***Contributions***

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted net assets depending on the existence or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporary restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization chooses to show restricted contributions whose restrictions are met in the same reporting period as restricted contributions and a reclassification.

The Organization reports donations of real property as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

***Donated Services***

ASC 958-605-25 defines the criteria for the inclusion of donated services within the financial statements as those requiring technical expertise that would be purchased if not donated. The Springfield Regional Arts Council did not have services donated during the year ended June 30, 2016 or 2015.

***Advertising***

The Organization incurs various advertising costs and they are expensed as incurred. Total advertising expense was \$13,070 and \$8,400 for the years ended June 30, 2016 and 2015.

**Springfield Regional Arts Council**  
**Notes to the Financial Statements**  
**June 30, 2016 and 2015**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Fundraising Expenses***

Revenue from fundraisers is stated separately on the Statement of Activities. Gross fundraising revenue was \$140,370 and direct costs were \$44,271 for the year ended June 30, 2016. Gross fundraising revenue was \$183,798 and direct costs were \$64,744 for the year ended June 30, 2015.

***Subsequent Events***

Subsequent events have been evaluated through September 15, 2016, the date which the financial statements were available to be issued.

**Note 3– Endowment Funds**

The Organization’s investments include various endowment funds held at the Community Foundation of the Ozarks, Inc. The accounts are recorded at fair value on a recurring basis during the years ended June 30, 2016 and 2015 using quoted prices in active markets.

***Interpretation of Relevant Law***

The Board of Directors have interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

**Springfield Regional Arts Council**  
**Notes to the Financial Statements**  
**June 30, 2016 and 2015**

**Note 3– Endowment Funds (Continued)**

***Return Objectives***

The Organization has adopted investment and spending policies for endowment assets that attempt to maintain the purchasing power of the endowment assets, while allowing for a predictable stream of funding to operations, if needed. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. Under this methodology, the endowment assets are invested in a manner that is intended to produce positive results.

***Strategies Employed for Achieving Objectives***

To satisfy its long term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

***Spending Policy***

The Organization follows the donor’s stipulation in regard to endowment funds, which requires the original gift to be held in perpetuity and the income and appreciation earned to be used for operating assets, if needed. The Organization retains the option to appropriate for expenditure the income and appreciation earned above and beyond the original gift. However, consistent with prior years’ results, the Organization continues to follow a policy of long-term asset growth. For the years ended June 30, 2016 and 2015, the Springfield Regional Arts Council Fund had \$11,097 and \$1,253 released from the endowment for expenditure. For the years ended June 30, 2016 and 2015, the Creamery Arts Center Endowment had \$1,524 and \$1,462 released from the endowment for expenditure. For the years ended June 30, 2016 and 2015, the Cultural Trust Fund Endowment had \$862 and \$906 released from the endowment for expenditure. For the years ended June 30, 2016 and 2015, the MFAS Fund Endowment had \$18 and \$17 released from the endowment for expenditure. For the years ended June 30, 2016 and 2015, the Arts in Education Endowment had \$371 and \$2,513 released from the endowment for expenditure.

Investments at June 30, 2016 consisted of the following:

	<u>Temporarily</u> <u>Restricted</u>	<u>Permanently</u> <u>Restricted</u>	<u>Total</u>
Springfield Regional Arts Council Fund	\$ 157,285	\$ -	\$ 157,285
Creamery Arts Center Endowment	7,613	157,684	165,297
Cultural Trust Fund Endowment	37,044	50,453	87,497
MFAS Fund Endowment	3,186	-	3,186
Arts in Education Endowment	5,635	32,013	37,648
	<u>\$ 210,763</u>	<u>\$ 240,150</u>	<u>\$ 450,913</u>

**Springfield Regional Arts Council**  
**Notes to the Financial Statements**  
**June 30, 2016 and 2015**

**Note 3– Endowment Funds (Continued)**

Investments at June 30, 2015 consisted of the following:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Springfield Regional Arts Council Fund	\$ 163,540	\$ -	\$ 163,540
Creamery Arts Center Endowment	11,784	116,270	128,054
Cultural Trust Fund Endowment	40,386	50,354	90,740
MFAS Fund Endowment	3,176	-	3,176
Arts in Education Endowment	7,129	32,013	39,142
	<u>\$ 226,015</u>	<u>\$ 198,637</u>	<u>\$ 424,652</u>

The changes in endowment net assets for the year ended June 30, 2016 were:

	<u>6/30/2014</u>	<u>Contributions</u>	<u>Investment Income</u>	<u>Investment Fees</u>	<u>Distributions</u>	<u>Realized Gain</u>	<u>Unrealized Loss</u>	<u>6/30/2015</u>
Springfield Regional Arts Council Fund	\$ 163,541	\$ 3,480	\$ 1,362	\$ (876)	\$ (10,222)	\$ -	\$ -	\$ 157,285
Creamery Arts Center Endowment	128,054	41,414	2,056	(1,524)	-	684	(5,387)	165,297
Cultural Trust Fund Endowment	90,739	99	1,248	(861)	-	472	(4,200)	87,497
MFAS Fund Endowment	3,176	-	27	(17)	-	-	-	3,186
Arts in Education Endowment	39,142	-	546	(371)	-	211	(1,880)	37,648
	<u>\$ 424,652</u>	<u>\$ 44,993</u>	<u>\$ 5,239</u>	<u>\$ (3,649)</u>	<u>\$ (10,222)</u>	<u>\$ 1,367</u>	<u>\$ (11,467)</u>	<u>\$ 450,913</u>

The changes in endowment net assets for the year ended June 30, 2015 were:

	<u>6/30/2014</u>	<u>Contributions</u>	<u>Investment Income</u>	<u>Investment Fees</u>	<u>Distributions</u>	<u>Realized Gain</u>	<u>Unrealized Loss</u>	<u>6/30/2015</u>
Springfield Regional Arts Council Fund	\$ 156,342	\$ 7,123	\$ 1,328	\$ (872)	\$ (380)	\$ -	\$ -	\$ 163,541
Creamery Arts Center Endowment	117,968	11,740	1,748	(1,462)	-	1,561	(3,501)	128,054
Cultural Trust Fund Endowment	91,735	99	1,259	(906)	-	1,097	(2,545)	90,739
MFAS Fund Endowment	3,167	-	26	(17)	-	-	-	3,176
Arts in Education Endowment	41,782	-	566	(396)	(2,117)	508	(1,201)	39,142
	<u>\$ 410,994</u>	<u>\$ 18,962</u>	<u>\$ 4,927</u>	<u>\$ (3,653)</u>	<u>\$ (2,497)</u>	<u>\$ 3,166</u>	<u>\$ (7,247)</u>	<u>\$ 424,652</u>

SFAS No. 157, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identified assets and have the highest priority, Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets, Level 3 assets have the lowest priority. For the years ended June 30, 2016 and 2015, the Organization had no Level 2 or 3 investments.

**Springfield Regional Arts Council**  
**Notes to the Financial Statements**  
**June 30, 2016 and 2015**

**Note 4– Property and Equipment**

Major classifications of property and equipment, stated at cost, are as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Equipment	\$ 153,155	\$ 151,165
Vehicles	39,238	41,738
	<u>192,393</u>	<u>192,903</u>
Less accumulated depreciation	<u>(181,928)</u>	<u>(174,400)</u>
Net property and equipment	<u>\$ 10,465</u>	<u>\$ 18,503</u>

Depreciation expense amounted to \$8,698 and \$17,781 for the years ended June 30, 2016 and 2015, respectively.

**Note 5 – Employee Benefits**

The Springfield Regional Arts Council maintains a Simple IRA retirement plan that covers all full-time employees. The Organization matches employee contributions up to 3% of eligible compensation. Employer matching contributions was \$2,143 and \$1,520 for the years ended June 30, 2016 and 2015.

The Organization’s liability for compensated absences of their employees was \$2,333 and \$2,154 as of June 30, 2016 and 2015. This represents amounts owed to employees under the Organization’s paid vacation and sick leave policies, which are described in *Note 2*.

**Note 6 – Net Asset Designations and Restrictions**

Unrestricted net assets are board designated for the following purpose at June 30, 2016 and 2015:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
CFO Fabrication	398	398
CFO Scholarship	500	500
Claymobile	2,728	2,963
Dr. Tickle Memorial	3,360	-
Give Ozarks	10,324	-
ideaXfactory	2,360	1,354
Movies at Founders	921	921
SATO 48 Hour Challenge	1,457	4,197
Sculpture Walk	1,638	200
Virtual GOAT	<u>2,114</u>	<u>1,154</u>
Board Designated Unrestricted Net Assets	<u>25,800</u>	<u>11,687</u>

**Springfield Regional Arts Council**  
**Notes to the Financial Statements**  
**June 30, 2016 and 2015**

**Note 6 – Net Asset Designations and Restrictions (Continued)**

Restricted net assets consist of the following at June 30, 2016:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Restricted</u>
Arts in Education Endowment	\$ 5,637	\$ 32,013	\$ 37,650
MFAS Fund Endowment	3,186	-	3,186
Springfield Regional Arts Council Fund	157,285	-	157,285
Creamery Arts Center Endowment	7,612	157,684	165,296
Cultural Trust Endowment	37,044	50,453	87,497
Fresh	14,408	-	14,408
Eclectic Endeavors	12,012	-	12,012
MFAS	<u>10,262</u>	<u>-</u>	<u>10,262</u>
Temporarily Restricted Net Assets	<u>\$ 247,446</u>	<u>\$ 240,150</u>	<u>\$ 487,596</u>

Restricted net assets consist of the following at June 30, 2015:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Restricted</u>
Arts in Education Endowment	\$ 7,130	\$ 32,013	\$ 39,143
MFAS Fund Endowment	3,176	-	3,176
Springfield Regional Arts Council Fund	163,540	-	163,540
Creamery Arts Center Endowment	11,784	116,270	128,054
Cultural Trust Endowment	40,288	50,354	90,642
Fresh	9,682	-	9,682
Eclectic Endeavors	4,576	-	4,576
MFAS	<u>12,942</u>	<u>-</u>	<u>12,942</u>
Temporarily Restricted Net Assets	<u>\$ 253,118</u>	<u>\$ 198,637</u>	<u>\$ 451,755</u>

**Note 7 – Lease Commitments**

The Springfield Regional Arts Council conducts its operations from a building (Creamery Arts Center) that is leased under an operating lease agreement with the City of Springfield, Missouri at annual rate of \$10. The lease expires May 31, 2020 and has options to renew for additional periods beyond the current lease period. The Organization leases the Creamery Arts Center at reduced rent. The difference between the reduced rent paid and the fair value of the annual rent is included as contributions revenue and rent expense in the statement of activities. The fair value of annual rent donated for the years ended June 30, 2016 and 2015 is \$154,510.

**Springfield Regional Arts Council**  
**Notes to the Financial Statements**  
**June 30, 2016 and 2015**

**Note 7 – Lease Commitments (Continued)**

The following table presents future minimum lease payments under the above operating leases with initial or remaining periods of one year or more at June 30, 2016:

<u>For Year Ended June 30,</u>	<u>Amount</u>
2017	10
2018	10
2019	10
	<u>\$ 30</u>

Rent expense for the years ended June 30, 2016 and 2015 was \$170,510 and \$178,510, which includes contributed rent of \$154,510 for both years.

The Organization entered into a contract with various arts organizations to sublease space at the Creamery Arts Center. Each organization will provide annual rent of \$10 to the Organization on July 1 of each year. Each lease is effective for one year and has options to renew for additional periods beyond the current lease period. The current tenants include Springfield Symphony Association, Inc., Springfield Regional Opera, Inc., Springfield Ballet, Inc., Any Given Child, and Care to Learn.

**Note 8 – Concentrations of Risk**

The Organization conducts operations solely in Southwest Missouri and, therefore, is subject to risks from changes in local economic conditions. The Organization's two primary fundraisers are outdoor events and are highly susceptible to seasonal weather conditions.

At June 30, 2016 and 2015, cash in banks did not exceed federally insured amounts by the FDIC.

***Current Economic Conditions***

The current economic conditions continue to present nonprofit organizations with circumstances and challenges, which in some cases have resulted in slower collection of accounts receivable, decreased donations, and declining memberships, in effect impacting total revenue.

## SUPPLEMENTARY INFORMATION



**Springfield Regional Arts Council**  
**Schedules of Administrative Expenses**  
**For the Year Ended June 30, 2016 and 2015**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Accounting	\$ 7,710	\$ 8,545
Advertising	3,990	3,670
Cleaning and maintenance	11,706	10,185
Contract Labor	2,354	1,770
Depreciation	8,698	17,241
Dues and memberships	2,088	-
Employee benefits	-	11,239
Endowment Distributed - Arts Education	-	2,117
Fees	5,146	7,929
Food supplies	680	230
Gifts and awards	642	283
Insurance	8,180	9,079
Internet access	935	-
Mileage	733	1,321
Other Equipment	1,425	1,655
Payroll taxes	4,972	5,839
Postage	1,302	1,359
Printing and copying	996	740
Publications	1,925	1,563
Purchases for resale	493	508
Rent	154,568	154,510
Repairs	333	3,792
Research study	1,400	-
Salaries	72,066	65,405
Sponsorships expense	1,282	1,083
Supplies and materials	1,372	1,164
Telephone	3,332	3,334
Travel and training	2,015	1,723
Utilities	23,687	25,915
Website	4,538	1,606
	<u>\$ 328,571</u>	<u>\$ 343,808</u>